MPOFANA MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2015

General Information

Nature of business and principal activities	Providing Municipal Services
Members of Council	
Mayor	Cllr T.M Magubane (appointed 2 December 2014) Cllr S. Mpangase (dissolved 30 September 2014)
Councillors	Council appointed on 2 December 2014 Cllr X.M Duma Cllr B. Khumalo Cllr M. Majola Cllr M.N Mthalane Cllr N. Ndlovu Cllr S. Ndumo Council dissolved on 30 September 2014 Cllr K. Denysschen Cllr Z. Dladla Cllr X. Duma Cllr B. Mhlanzi Cllr S. Mhlongo Cllr J. Shabalala
Grading of local authority	2
Accounting Officer	Mr Max Moyo
Chief Finance Officer (CFO)	Mr Simo Mncwabe
Registered office	10 Claughton Terrace Mooi River 3300
Municipal Contact details	033 263 1221/7700 Mooi River 3300
Postal address	P O Box 47 Mooi River 3300
Bankers	First National Bank
Auditors	The Auditor General of South Africa

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The reports and statements set out below comprise the Annual Financial Statements presented to the provincial legislature:

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Abbreviations

EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
INEP	Integrated National Electrification Program
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
SARS	South African Revenue Services
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 53 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and was given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The Annual Financial Statements are prepared on the basis that the municipality is a going concern and that the council has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The Auditor General (SA) is responsible for independently reviewing and reporting on the municipality's Annual Financial Statements. The Annual Financial Statements have been examined by the municipality's external auditors and their report is presented on page 5.

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Annual Financial Statements set out on page 5 to 48, which have been prepared on the going concern basis, were approved by the Council on 31 August 2015 and were signed on its behalf by

Accounting Officer
Municipal Manager

Approval of Annual Financial Statements

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 5 to 48, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 31 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The Accounting Officer is responsible for the presentation and fair presentation of these Annual Financial Statements in accordance with Generally Recognised Accounting Practice (GRAP) in a manner required by local goverment: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) including any intepretations, guidelines and directives issued by the Accounting Standards Board.

It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

Municipal Manager:
Max Moyo
31 August, 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	2	184,680	244,114
Other receivables	3	-	497,477
VAT receivable	4	-	449,626
Prepayments		-	9,352
Consumer debtors	5	26,846,876	23,313,625
Financial assets - investments	6	9,487,572	11,848,205
Loans and receivables	7	462,533	447,382
Cash and cash equivalents	8	2,569,529	2,344,512
		39,551,190	**39,154,293**
Non-Current Assets			
Investment property	9	19,995,750	18,787,000
Property, plant and equipment	10	67,410,872	51,837,788
Intangible assets	11	85,461	93,217
		87,492,083	**70,718,005**
Non-Current Assets		87,492,083	70,718,005
Current Assets		39,551,190	39,154,293
Total Assets		**127,043,273**	**109,872,298**
Liabilities			
Current Liabilities			
Finance lease obligation	12	410,803	512,087
Payables from exchange transactions	13	4,919,572	8,644,430
VAT payable		443,367	-
Consumer deposits	14	289,217	265,525
Employee benefit obligation	15	448,000	358,000
Unspent conditional grants and receipts	16	19,129,810	15,744,437
Provisions	17	7,642,214	7,634,936
Short term portion of long term liabilities	18	-	70,202
		33,282,983	**33,229,617**
Non-Current Liabilities			
Finance lease obligation	12	39,315	617,383
Employee benefit obligation	15	10,775,477	10,370,000
Annuity loan	18	137,426	20,778
		10,952,218	**11,008,161**
Non-Current Liabilities		10,952,218	11,008,161
Current Liabilities		33,282,983	33,229,617
Total Liabilities		**44,235,201**	**44,237,778**
Assets		127,043,273	109,872,298
Liabilities		(44,235,201)	(44,237,778)
Net Assets		**82,808,072**	**65,634,520**
Net Assets			
Reserves			
Revaluation reserve		14,660,355	13,451,605
Accumulated surplus		68,147,717	52,182,915
Total Net Assets		**82,808,072**	**65,634,520**

* See Note 40

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Service charges	20	45,036,751	42,661,733
Rental of facilities and equipment	21	536,294	269,972
Licences and permits		2,521,412	3,027,189
Fair value adjustment		213,545	-
Other income	22	1,375,632	1,317,773
Interest received - investment	25	2,680,850	2,352,112
Property rates	23	10,111,519	9,681,197
Property rates - penalties imposed	23	2,294,937	2,369,191
Royalties received		835,418	-
Government grants & subsidies	24	44,364,627	39,412,407
Fines		685,270	614,925
Total revenue		**110,656,255**	**101,706,499**
Expenditure			
Personnel	26	(28,938,960)	(25,169,606)
Remuneration of councillors	27	(1,516,939)	(1,902,610)
Depreciation and amortisation	28	(5,486,674)	(4,449,284)
Impairment loss/ Reversal of impairments	30	9,014,059	(29,727)
Finance costs	29	(384,926)	(579,109)
Debt impairment	31	(4,929,780)	(2,313,408)
Repairs and maintenance		(2,470,877)	(1,334,658)
Bulk purchases	32	(41,491,713)	(42,361,336)
Contracted services	33	(3,818,394)	(1,453,813)
Bank charges		(149,434)	(145,175)
General Expenses	34	(15,378,435)	(13,802,727)
Total expenditure		**(95,552,073)**	**(93,541,453)**
		-	-
Total revenue		110,656,255	101,706,499
Total expenditure		(95,552,073)	(93,541,453)
Operating surplus		**15,104,182**	**8,165,046**
Surplus before taxation		15,104,182	8,165,046
Taxation		-	-
Surplus for the year		**15,104,182**	**8,165,046**

* See Note 40

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2013	**-**	**44,017,869**	**44,017,869**
Changes in net assets			
Revaluation surplus	8,581,605	-	8,581,605
Net income (losses) recognised directly in net assets	8,581,605	-	8,581,605
Surplus for the year	-	8,165,046	8,165,046
Total recognised income and expenses for the year	8,581,605	8,165,046	16,746,651
Opening balance adjustment	4,870,000	-	4,870,000
Total changes	13,451,605	8,165,046	21,616,651
Opening balance as previously reported	8,581,605	53,040,903	61,622,508
Adjustments			
Prior year adjustments	4,870,000	2,632	4,872,632
Restated* Balance at 01 July 2014 as restated*	**13,451,605**	**53,043,535**	**66,495,140**
Changes in net assets			
Revaluation surplus	1,208,750	-	1,208,750
Net income (losses) recognised directly in net assets	1,208,750	-	1,208,750
Surplus for the year	-	15,104,182	15,104,182
Total recognised income and expenses for the year	1,208,750	15,104,182	16,312,932
Total changes	1,208,750	15,104,182	16,312,932
Balance at 30 June 2015	**14,660,355**	**68,147,717**	**82,808,072**

* See Note 40

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		57,306,464	54,982,093
Grants		47,650,000	39,358,000
Interest income		2,680,850	2,352,112
Other receipts		-	1,004,266
Licences and permits		2,521,412	3,027,189
		110,158,726	100,723,660
Payments			
Employee costs		(29,610,606)	(26,328,610)
Suppliers		(65,882,747)	(56,546,206)
Finance costs		(152,746)	(208,638)
Other cash item		(816,612)	955,533
		(96,462,711)	(82,127,921)
Total receipts		110,158,726	100,723,660
Total payments		(96,462,711)	(82,127,921)
Net cash flows from operating activities	37	**13,696,015**	**18,595,739**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(11,053,053)	(9,262,471)
Proceeds from sale of property, plant and equipment	10	-	648,066
Purchase of other intangible assets	11	-	(153,500)
Proceeds from sale of other intangible assets	11	-	13,338
Proceeds from sale of financial assets - investments		2,360,633	104,065
Purchase of loans and receivables		(15,151)	(30,039)
Net cash flows from investing activities		**(8,707,571)**	**(8,680,541)**
Cash flows from financing activities			
Movement in annuity loan		46,446	(51,232)
Finance lease payments		(4,809,873)	(3,040,182)
Net cash flows from financing activities		**(4,763,427)**	**(3,091,414)**
Net increase/(decrease) in cash and cash equivalents		**225,017**	**6,823,784**
Cash and cash equivalents at the beginning of the year		2,344,512	(4,479,272)
Cash and cash equivalents at the end of the year	8	**2,569,529**	**2,344,512**

* See Note 40

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	54,055,000	4,201,000	58,256,000	45,036,751	(13,219,249)	1
Rental of facilities and equipment	4,410,000	(4,201,000)	209,000	536,294	327,294	
Licences and permits	2,386,000	678,000	3,064,000	2,521,412	(542,588)	
Other income 1	-	-	-	213,545	213,545	
Other income	139,000	569,000	708,000	1,375,632	667,632	
Interest received - investment	2,741,000	-	2,741,000	2,680,850	(60,150)	
Gains on disposal of assets	1,500,000	(1,500,000)	-	-	-	
Total revenue from exchange transactions	**65,231,000**	**(253,000)**	**64,978,000**	**52,364,484**	**(12,613,516)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	12,679,000	(2,179,000)	10,500,000	10,111,519	(388,481)	
Property rates - penalties imposed	2,639,000	-	2,639,000	2,294,937	(344,063)	
Royalties received	-	-	-	835,418	835,418	
Government grants & subsidies	46,692,000	4,852,000	51,544,000	44,364,627	(7,179,373)	
Transfer revenue						
Fines	320,000	-	320,000	685,270	365,270	
Total revenue from non-exchange transactions	**62,330,000**	**2,673,000**	**65,003,000**	**58,291,771**	**(6,711,229)**	
'Total revenue from exchange transactions'	65,231,000	(253,000)	64,978,000	52,364,484	(12,613,516)	
'Total revenue from non-exchange transactions'	62,330,000	2,673,000	65,003,000	58,291,771	(6,711,229)	
Total revenue	**127,561,000**	**2,420,000**	**129,981,000**	**110,656,255**	**(19,324,745)**	
Expenditure						
Personnel	(28,845,000)	1,421,000	(27,424,000)	(28,938,960)	(1,514,960)	
Remuneration of councillors	(2,007,000)	550,000	(1,457,000)	(1,516,939)	(59,939)	
Depreciation and amortisation	(12,600,000)	7,100,000	(5,500,000)	(5,486,674)	13,326	
Impairment loss/ Reversal of impairments	-	-	-	9,014,059	9,014,059	
Finance costs	(267,000)	-	(267,000)	(384,926)	(117,926)	
Debt impairment	(8,000,000)	2,000,000	(6,000,000)	(4,929,780)	1,070,220	
Repairs and maintenance	(2,101,000)	-	(2,101,000)	(2,470,877)	(369,877)	
Bulk purchases	(49,675,000)	-	(49,675,000)	(41,491,713)	8,183,287	
Contracted Services	(6,354,000)	-	(6,354,000)	(3,818,394)	2,535,606	
Bank charges	(140,000)	-	(140,000)	(149,434)	(9,434)	
Loss on disposal of assets	-	(200,000)	(200,000)	-	200,000	
General Expenses	(8,885,000)	-	(8,885,000)	(15,378,435)	(6,493,435)	
Total expenditure	**(118,874,000)**	**10,871,000**	**(108,003,000)**	**(95,552,073)**	**12,450,927**	
	8,687,000	13,291,000	21,978,000	15,104,182	(6,873,818)	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	-	-	-	-	-	
Surplus before taxation	**8,687,000**	**13,291,000**	**21,978,000**	**15,104,182**	**(6,873,818)**	
Deficit before taxation	8,687,000	13,291,000	21,978,000	15,104,182	(6,873,818)	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**8,687,000**	**13,291,000**	**21,978,000**	**15,104,182**	**(6,873,818)**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	235,000	**235,000**	184,680	**(50,320)**	
Trade and other receivables	-	477,000	**477,000**	497,477	**20,477**	
Consumer debtors	21,224,000	7,485,000	**28,709,000**	26,846,876	**(1,862,124)**	
Financial assets - investments	1,195,000	10,979,000	**12,174,000**	9,487,572	**(2,686,428)**	
Loans and receivables	-	597,000	**597,000**	462,533	**(134,467)**	
Cash and cash equivalents	5,000,000	(3,382,000)	**1,618,000**	2,569,529	**951,529**	
	27,419,000	**16,391,000**	**43,810,000**	**40,048,667**	**(3,761,333)**	
Non-Current Assets						
Investment property	5,335,000	-	**5,335,000**	19,995,750	**14,660,750**	
Property, plant and equipment	49,549,000	8,111,000	**57,660,000**	67,410,872	**9,750,872**	
Intangible assets	-	-	-	85,461	**85,461**	
	54,884,000	**8,111,000**	**62,995,000**	**87,492,083**	**24,497,083**	
Non-Current Assets	27,419,000	16,391,000	**43,810,000**	40,048,667	**(3,761,333)**	
Current Assets	54,884,000	8,111,000	**62,995,000**	87,492,083	**24,497,083**	
Non-current assets held for sale (and) (assets of disposal groups)	-	-	-	-	-	
Total Assets	**82,303,000**	**24,502,000**	**106,805,000**	**127,540,750**	**20,735,750**	
Liabilities						
Current Liabilities						
Borrowings	1,633,000	(1,560,000)	**73,000**	(39,215)	**(112,215)**	
Finance lease obligation	-	-	-	410,803	**410,803**	
Payables from exchange transactions	-	21,789,000	**21,789,000**	4,919,572	**(16,869,428)**	
VAT payable	-	-	-	443,367	**443,367**	
Consumer deposits	399,000	(133,000)	**266,000**	289,217	**23,217**	
Employee benefit obligation	-	-	-	448,000	**448,000**	
Unspent conditional grants and receipts	-	-	-	19,129,810	**19,129,810**	
Provisions	10,929,000	(2,596,000)	**8,333,000**	7,642,214	**(690,786)**	
	12,961,000	**17,500,000**	**30,461,000**	**33,243,768**	**2,782,768**	
Non-Current Liabilities						
Borrowings	-	1,129,000	**1,129,000**	-	**(1,129,000)**	
Employee benefit obligation	-	-	-	10,775,477	**10,775,477**	
Provisions	-	12,348,000	**12,348,000**	-	**(12,348,000)**	
Annuity loan	73,000	(73,000)	-	137,426	**137,426**	
	73,000	**13,404,000**	**13,477,000**	**10,912,903**	**(2,564,097)**	
	12,961,000	17,500,000	**30,461,000**	33,243,768	**2,782,768**	
	73,000	13,404,000	**13,477,000**	10,912,903	**(2,564,097)**	
	-	-	-	-	-	
Total Liabilities	**13,034,000**	**30,904,000**	**43,938,000**	**44,156,671**	**218,671**	
Assets	82,303,000	24,502,000	**106,805,000**	127,540,750	**20,735,750**	
Liabilities	(13,034,000)	(30,904,000)	**(43,938,000)**	(44,156,671)	**(218,671)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets	**69,269,000**	**(6,402,000)**	**62,867,000**	**83,384,079**	**20,517,079**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	-	5,547,300	**5,547,300**	
Accumulated surplus	69,269,000	(6,402,000)	**62,867,000**	77,836,779	**14,969,779**	
Total Net Assets	**69,269,000**	**(6,402,000)**	**62,867,000**	**83,384,079**	**20,517,079**	

Accounting Policies

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 53 of 2003).

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

At the reporting date of the municipality, the following standards had been issued but not yet effective:

Standard	Interpretation	Effective date
GRAP 105	Transfers between under control functions entities and common	01 July 2015
GRAP106	Transfers of functions between entities not under common control	01 July 2015
GRAP 107	Mergers	01 July 2015
GRAP106	Transfers of functions between entities not under common control	01 July 2015

The adoption of the above standards of GRAP did not have a significant impact in the operations of the municipality.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of Annual Financial Statements,in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Municipality's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates that are significant to the Annual Financial Statements are disclosed in the relevant sections of the Annual Financial Statements. Although these estimates are based on management's knowledge of current events and actions they may undertake in future, actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

Trade receivables and loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, at weighted average percentage of 15% based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Consumer debtors are expected to be realised within 12 months after the reporting date.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the detailed disclosure note 17 - Provisions.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services; or
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at fair value.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

All the municipality's properties are held under freehold interest and no investment property has been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of investment property or the remittance of revenue and the proceeds of disposal.

There are no contractual obligations on investment property.

Valuation of investment property was done by an independent valuer and the valuation certificates were issued effective August 2015. The valuations are performed on an annual basis. The valuation conforms to international standards and is arrived at by reference to market evidence of transaction prices for similar properties.

No impairment losses have been recognized on investment property at the reporting date.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Accounting Policies

1.5 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for investment property which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinate
Buildings	5 - 25 years

Accounting Policies

1.5 Property, plant and equipment (continued)

Plant and machinery	3 - 10 years
Furniture and fixtures	3 - 5 years
Office equipment	3 - 5 years
Computer equipment	3 - 5 years
Landfill site	5 years
Finance lease assets	
• Office furniture	5 years
• Transport	3 - 5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

The municipality has a landfill site which it is obligated to rehabilitate at the end of its useful life.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

Accounting Policies

1.7 Intangible assets (continued)

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The useful lives of the intangible assets remains unchanged from the previous year. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. The municipality amortises all its intangible assets and none of these assets are regarded as having indefinate useful lives

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

No impairment losses have been recognised on the intanible assets of the municipality at the reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	3 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Accounting Policies

1.8 Financial instruments (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases - lessee

1.9 Leases (continued)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Any contingent rents are expensed in the period in which they are incurred.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

1.12 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the financial period end.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the relevant notes to the financial statements.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Measurement

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, volume rebates and value-added taxes (VAT).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the municipality receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.15 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

Donations are measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.17 Commitments

Commitments are not recognised. Commitments are disclosed in the notes to the Annual Financial Statement. A commitment is disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Accounting Policies

1.19 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of iabilitiesthat result in a decrease in net assets.

An expense is recognised in the municipality's Statement of Financial Performance when the following criteria is satisfied: The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition, it is disclosed in the note; and:

All expenditure has been dealt with in terms of the above definition and recognition criteria The cost or value may involve estimation.

Expenses are generally accounted for on an accrual basis at fair value. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willin parties in an arm's length transaction. Under the accrual basis of accounting, expenses are recognised as incurred when goods are received or services are consumed. This may not be when goods are paid for.

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was incurred which does not result in future economic benefits flowing to the municipality and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Housing subsidies

The municipality provides post-retirement housing subsidies for qualifying staff members. The payment of these subsidies is reflected as expenditure in the statement of financial performance.

1.23 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.24 Related parties

The municipality has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Accounting Policies

1.25 Going concern

The financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.26 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a reconciliation with the budgeted amounts for the reporting period have been included in the Annual Financial Statements.

Comparative information is not required.

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

2. Inventories

Consumable stores	184,680	244,114

3. Other receivables

Sundry debtors	-	497,477

Sundry debtors relate to the following:

- Salary overpayment made to Council and it relate to prior years.

4. VAT receivable

VAT	-	449,626

5. Consumer debtors

Gross balances		
Rates	30,160,382	20,881,241
Electricity	4,355,347	2,488,896
Refuse	10,839,144	6,538,053
Sundry debtors	21,825,803	29,485,953
	67,180,676	**59,394,143**
Less: Allowance for impairment		
Rates	(13,713,492)	(12,181,259)
Electricity	(1,210,014)	(1,205,604)
Refuse	(4,436,718)	(3,814,032)
Sundry debtors	(20,973,576)	(18,879,623)
	(40,333,800)	**(36,080,518)**

5. Consumer debtors (continued)

Net balance		
Rates	16,446,890	8,699,982
Electricity	3,145,333	1,283,292
Refuse	6,402,426	2,724,021
Sundry debtors	852,227	10,606,330
	26,846,876	**23,313,625**
Rates		
Current (0 -30 days)	15,973	691,545
31 - 60 days	655,939	441,192
61 - 90 days	931,036	398,871
91 - 120 days	6,872,750	7,168,374
	8,475,698	**8,699,982**
Electricity		
Current (0 -30 days)	874,464	727,198
31 - 60 days	225,992	363,640
61 - 90 days	114,962	270,388
91 - 120 days	1,823,832	698,793
	3,039,250	**2,060,019**
Refuse		
Current (0 -30 days)	244,877	211,812
31 - 60 days	228,693	194,735
61 - 90 days	223,448	189,128
91 - 120 days	4,550,010	2,128,346
	5,247,028	**2,724,021**
Other (specify)		
Current (0 -30 days)	462,855	390,079
31 - 60 days	406,117	384,212
61 - 90 days	393,195	376,013
91 plus days	10,615,315	11,134,754
	11,877,482	**12,285,058**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(36,080,518)	(34,166,987)
Contributions to allowance	(4,383,441)	(1,913,531)
	(40,463,959)	**(36,080,518)**

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired.As per the review of the debtors database some debtors that are above 3 months were not considered to be doubtful. At 30 June 2015, R2,703,843 - (2014: R2,223,536 -).

Consumer debtors impaired

As of 30 June 2015, consumer debtors of (R42,535,463) - (2014: R 36,080,518) were impaired and provided for.

The ageing of these loans is as follows:

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
6. Financial assets - Investments		
FNB Investment call account - 62187203957	7,418,874	7,350,637
FNB Investment call account - 62237621760	10,257	2,097,636
ABSA Investment account - 6303799366	961,272	960,292
FNB Investment Call account - 62172488085	583,197	559,604
FNB Investment call account -62141712001	11,170	446,739
FNB Investment call account - 62172498183	236,515	226,947
FNB Investment call account - 62134172890	101,376	46,206
FNB Investment call account - 62172493935	88,860	85,692
FNB Investment call account - 62036716746	39,799	39,402
FNB Investment call accont - 62173946040	34,065	32,884
FNB Investment call account - 62066847553	2,187	2,165
FNB Investment call account	(79)	(79)
FNB Investment call accont	79	79
Call investments		
	9,487,572	**11,848,204**

7. Loans and receivables

	2015	2014
Current assets		
Loans and receivables	462,533	447,382

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015	2014
Cash on hand	800	800
Bank balances	2,568,729	2,343,712
	2,569,529	**2,344,512**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
First National Bank Limited - Mooi River branch - Public sector current account - Account number 53050399907	2,560,694	2,052,318	5,198,369	2,488,211	1,310,809	4,536,041
First National Bank Limited - Mooi River branch - Public sector current account - Account number 62101108034	198,351	337,243	55,969	198,351	337,243	55,969
Total	**2,759,045**	**2,389,561**	**5,254,338**	**2,686,562**	**1,648,052**	**4,592,010**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

9. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	19,995,750	-	19,995,750	18,787,000	-	18,787,000

Reconciliation of investment property - 2015

	Opening balance	Reversal of impairments	Fair value adjustments	Total
Investment property	18,787,000	(4,870,000)	6,078,750	19,995,750

	2015	2014
Fair value of investment properties	19,995,750	13,917,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:.

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

10. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3,318,590	-	3,318,590	3,318,590	-	3,318,590
Buildings	6,482,703	(5,253,806)	1,228,897	6,406,377	(5,020,940)	1,385,437
Infrastructure	85,478,684	(39,782,602)	45,696,082	83,004,532	(45,602,574)	37,401,958
Other property, plant and equipment	6,389,224	(3,210,719)	3,178,505	3,589,902	(2,349,644)	1,240,258
Capital work in progress	11,458,928	-	11,458,928	4,758,917	-	4,758,917
Finance lease assets	7,079,921	(5,466,376)	1,613,545	7,070,189	(4,743,633)	2,326,556
Landfill site	7,009,482	(6,093,157)	916,325	7,031,082	(5,625,010)	1,406,072
Total	**127,217,532**	**(59,806,660)**	**67,410,872**	**115,179,589**	**(63,341,801)**	**51,837,788**

Figures in Rand	2015	2014

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	3,318,590	-	-	-	-	-	3,318
Buildings	1,385,437	75,446	-	12,797	(238,824)	(5,959)	1,228
Infrastructure	37,401,958	9,207,423	2,507,412	8,817,124	(3,219,013)	(9,018,822)	45,696
Other property, plant and equipment	1,240,258	1,760,452	-	(641,673)	830,190	(10,722)	3,178
Capital work in progress	4,758,917	-	(2,507,412)	9,207,423	-	-	11,458
Finance lease assets	2,326,556	9,732	-	(1,445,486)	722,743	-	1,613
Landfill site	1,406,072	-	-	(957,894)	468,147	-	916
	51,837,788	**11,053,053**	**-**	**14,992,291**	**(1,436,757)**	**(9,035,503)**	**67,410**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	3,318,590	-	-	-	-	-	3,318
Buildings	1,697,582	-	-	-	(289,540)	(22,605)	1,385
Infrastructure	22,916,163	-	(82,200)	16,337,299	(1,763,019)	(6,285)	37,401
Other property, plant and equipment	1,601,334	761,838	(565,866)	-	(556,211)	(837)	1,240
Capital work in progress	12,595,583	8,500,633	-	(16,337,299)	-	-	4,758
Finance lease assets	3,596,136	-	-	-	(1,269,580)	-	2,326
Landfill site	1,874,117	-	-	-	(468,045)	-	1,406
	47,599,505	**9,262,471**	**(648,066)**	**-**	**(4,346,395)**	**(29,727)**	**51,837**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	24,113	61,348	85,461	24,112	69,105	93,217

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software, other	93,217	(7,756)	85,461

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Amortisation	Impairment loss	Total
Computer software, other	55,908	153,500	(13,338)	(89,534)	(13,319)	93,217

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

12. Finance lease obligation

Minimum lease payments due		
- within one year	939,228	1,217,805
- in second to fifth year inclusive	89,896	1,058,201
	1,029,124	2,276,006
less: future finance charges and Maintanance	(579,106)	(1,146,536)
Present value of minimum lease payments	**450,018**	**1,129,470**
Present value of minimum lease payments due		
- within one year	410,803	512,087
- in second to fifth year inclusive	39,215	617,382
	450,018	**1,129,469**

The average lease term is 5 years. Interest rates are linked to prime for printers and prime less 2% for motor vehicles, at the contract date. Contingent rents have been recognised as an expense in the statement of financial performance. The leased assets are indicated in note 3
The leased assets are indicated in Note 10.

13. Payables from exchange transactions

Trade payables	333,700	1,889,659
Accruals - Eskom bulk purchases	348,517	1,928,081
Debtor payments received in advance	3,604,242	4,193,577
Accruals - uMgungundlovu District Municipality	605,385	605,385
Unallocated receipts	27,728	27,728
	4,919,572	**8,644,430**

Trade payables are normally settled within 30 days.

14. Consumer deposits

Electricity	247,766	221,074
Other	41,451	44,451
	289,217	**265,525**

IInterest is not paid to consumers when deposits are refunded and hence it is not accrued on consumer deposits value.

15. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Council operates a defined medical aid benefit scheme for the benefit of its qualifying employees.

Post-retirement medical aid benefits are offered to qualifying employees by subsidising a portion of the medical aid contribution after retirement.

The municipality is committed to pay subsidies broadly as follows:
- 60% to current employees
- 60%/100% to current continuation retirees
- Widow(er)s and orphans of current employees are entitled to continue at 60% or 100%, the subsidy upon the death of the pensioner.

Long service bonus awards

Figures in Rand	2015	2014

15. Employee benefit obligations (continued)

The long service bonus awards consist of an obligation to pay out bonus in the year of the employee attaining the required service. This obligation represents a liability to the municipality and the value is represented by the present value of the total long service bonus awards expected to become payable under the municipality's current policy.

The municipality offers bonuses for every five years of completed service from ten years to forty five years. Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. It has been assumed that in all cases, employees choose to exercise the option to wholly convert their accumulated leave days bonus into cash.

The most recent actuarial valuation was performed for the above mentioned obligations on 30 June 2015 by One Pangaea Financial using Projected Unit Credit Method.

The full obligation has been recognised as at the date of the statement of financial position.

The aggregate amounts recognised in the statement of financial position are as follows:

	2015	2014
Carrying value		
Opening balance	(10,728,000)	(9,298,000)
Current service cost	(734,000)	(690,000)
Interest cost	(999,000)	(661,000)
Benefit payments	448,000	358,000
ACtuarial gain /(losses)	790,000	(437,000)
	(11,223,000)	**(10,728,000)**
Non current liabilities	(10,775,000)	(10,370,000)
Current liabilities	(448,000)	(358,000)
	(11,223,000)	**(10,728,000)**

Net expense recognised in the statement of financial performance

	2015	2014
Current service cost	734,000	690,000
Interest cost	999,000	661,000
Benefit payments	(448,000)	(358,000)
Actuarial (gain) / losses	(790,000)	437,000
	495,000	**1,430,000**

5.1. Post retirement medical aid

	2015	2014
Opening balance	(9,562,000)	(8,156,000)
Current service cost	(556,000)	(525,000)
Interest cost	(904,000)	(581,000)
Benefit payments	345,000	274,000
Actuarial gains/(losses)	715,000	(574,000)
	(9,962,000)	**(9,562,000)**
Non current liabilities	(9,617,000)	(9,288,000)
Current liabilities	(345,000)	(274,000)
	(9,962,000)	**(9,562,000)**

Figures in Rand	2015	2014

15. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service costs	556,000	525,000
Interest costs	904,000	581,000
Actuarial gains/(losses)	(715,000)	574,000
Benefit payments	(345,000)	(274,000)
	400,000	**1,406,000**

5.2. Long service bonus awards

Opening balance	(1,166,000)	(1,142,000)
Current service cost	(178,000)	(165,000)
Interest cost	(95,000)	(80,000)
Benefit payments	103,000	84,000
Actuarial gains/(losses)	75,000	137,000
	(1,261,000)	**(1,166,000)**

Non current liabilities	(1,158,000)	(1,082,000)
Current liabilities	(103,000)	(84,000)
	(1,261,000)	**(1,166,000)**

Net expense recognised in the statement of financial performance

Current service cost	178,000	165,000
Interest cost	95,000	80,000
Actuarial (gains) / losses	(75,000)	(137,000)
Curtailment or settlement	(103,000)	(84,000)
	95,000	**24,000**

The municipality became aware of the above obligations in the current year. They were previously not recognised. Refer note 40.

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.37%	9.63%
Health care cost inflation rate	8.39%	8.66%
Consumer price index	6.89%	7.16%

Retirement age

Female	63	63
Male	63	63

Number of eligible members	70	70
Number of pensioners	9	9

Other assumptions - post retirement medical aid

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

15. Employee benefit obligations (continued)

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and the interest cost	1,876,000	1,197,000
Effect on defined benefit obligation	11,994,000	8,400,000
	13,870,000	**9,597,000**

Other assumptions - long service bonus awards

The valuation bases assumed that the salary inflation rate (which manifest its self as an annual increase in employees' salaries which determine the bonuses payable) will be 0,09% less than the corresponding discount rate, in the long term. The effect of 1% increase and decrease in the salary inflation rate is as follows:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and the interest cost	287,000	133,000
Effect on the employee benefit obligation	1,388,000	1,150,000
	1,675,000	**1,283,000**

Defined contribution plan

Certain municipal councillors and employees belong to The Natal Joint Municipal Pension Fund (Superannuation) and The Natal Joint Municipal Pension Fund (Retirement) which are administered by the Province.

These schemes cannot be broken down per municipality, as they are considered to be multi-employer schemes and hence are treated as defined contribution schemes by the municipality. Information from the schemes as a whole is included below.

Municipal employees are also members of the KwaZulu Natal Joint Municipal Provident Fund, South African Local Authorities (SALA) Provident and Retirement Funds. All contributions have been included in the employee related cost note.

SUPERANNUATION FUND

As at 31 March 2012 (the last date of valuation), the actuarial value of total assets was R 121,7 million more than the actuarial value of liabilities for service of members to that date and for pensioners, made up as follows:

- Surplus of R 210 million in respect of pensioners (funding level 119,4%)
- Deficit of R 88,3 million in respect of members (funding level 95%)
- The fund was thus 104% funded
- The fund did not hold an investment reserve
- The total contribution rate payable,including the surcharge by and on behalf of members,exceeded that required for future service by 1,41 % of members pensionable emoluments
- An additional contribution by way of a surcharge amounting to 6% of salaries is currently in place to fund the deficit. The surcharge have been reduce to 4,5% with effect from 1 July 2007

RETIREMENT FUND

As at 31 March 2012 (the last date of valuation), the actuarial value of total assets was R 140,9 million more that the actuarial value of liabilities for services of members to that date and for pensioners made up as follows:
- Surplus of R 63,4 million in respect of pensioners (funding level 116,2%)
- Deficit of R204,3 million in respect of members (funding level 73%)
- The fund was thus 87,7% funded
- The fund did not hold an investment reserve
- The total contribution rate payable (including the surcharge of 14 % payable jointly by pre-1 July 2002 members and their employers on their behalf) exceeded that required for future service by 12,59% of members' pensionable emoluments. This should be sufficient , provided that salary increases do not exceed CPIX plus 0,5 %.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Cragieburn housing project grant	5,840,388	5,840,388
Expanded Public Works Programme Grant	120,941	2,155
Financial management grant	-	15
Municipal Assistance Grant- Small Town grant	5,000,000	-
Municipal Infrastructure Grant	-	1,733,398
Townview housing project grant	8,168,481	8,168,481
	19,129,810	**15,744,437**

The nature and extent of government grants recognised in the Annual Financial Statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

Municipal Systems Improvement Grant

Balance at the beginning of the year	-	252,011
Additions during the year	934,000	890,000
Income recognition during the year	(934,000)	(1,142,011)
	-	-

Municipal Assistance Grant

Balance at the beginning of the year	-	862,577
Additions during the year	5,000,000	-
Income recognition during the year	-	(862,577)
	5,000,000	-

Townview housing project grant

Balance at the beginning of the year	8,168,481	8,168,481

Cragieburn housing project grant

Balance at the beginning of the year	5,840,388	5,955,679
Income recognition during the year	-	(115,291)
	5,840,388	**5,840,388**

Financial management grant

Balance at the beginning of the year	15	268,712
Additions during the year	1,800,000	1,650,000
Income recognition during the year	(1,800,015)	(1,918,697)
	-	**15**

Municipal Infrastructure Grant

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

16. Unspent conditional grants and receipts (continued)

	2015	2014
Balance at the beginning of the year	1,733,398	-
Additions during the year	9,830,000	11,621,000
Income recognition during the year	(11,563,398)	(9,887,602)
	-	**1,733,398**

Intergrated National Electrification Program

	2015	2014
Additions during the year	5,000,000	-
Income recognition during the year	(5,000,000)	-
	-	-

Expanded Public Works Programme grant

	2015	2014
Balance at the beginning of the year	2,155	161,713
Additions during the year	1,000,000	1,000,000
Income recognition during the year	(881,214)	(1,159,558)
	120,941	**2,155**

Sports and recreation grant

	2015	2014
Balance at the beginning of the year	-	116,000
Additions during the year	-	150,000
Income recognition during the year	-	(266,000)
	-	-

17. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for landfill site	5,537,712	-	(403,579)	271,368	5,405,501
Provision for leave pay	2,097,224	139,489	-	-	2,236,713
	7,634,936	**139,489**	**(403,579)**	**271,368**	**7,642,214**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Reversed during the year	Total
Provision for landfill site	5,781,998	27,082	(271,368)	5,537,712
Provision for leave pay	2,097,224	-	-	2,097,224
	7,879,222	**27,082**	**(271,368)**	**7,634,936**

Landfill site
The landfill site provision is raised for the rehabilitation of the waste disposal site to its original state once the site has reached the end of its useful life. This is expected to be paid by 30 June 2017.

A discounting factor based on prime interest and adjustment for municipal specific risk was applied.

Leave pay
The leave pay provision is accrued at the Basic Conditions of Employment Act rate and is accumulated to a maximum of 48 days per employee.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

18. Annuity loan

Annuity Loans		
DBSA Loans	137,426	90,980
Less: Current portion transferred to current liabilities	-	(70,202)
Long term portion	**137,426**	**20,778**

The municipality received five loans from the Development Bank of Southern Africa (DBSA) to fund water, electricity and sewerage expenditure.The terms of the loans vary between forty to sixty years. Each loan has a fixed interest rate however, all loans have different fixed interest rates. Interest rates are between 14,50% to 16,32% per annum, payable every six months.

Three of the five loans received were recoverable from uMgungundlovu District Municipality as the water and sanitation function was ceded to the District Municipality. Refer to the loans and receivables note 7.

19. Revenue

Fines	685,270	614,925
Government grants & subsidies	44,364,627	39,412,407
Interest received - investment	2,680,850	2,352,112
Licences and permits	2,521,412	3,027,189
Other income	1,375,632	1,317,773
Other income 1	213,545	-
Property rates	10,111,519	9,681,197
Property rates - penalties imposed	2,294,937	2,369,191
Rental of facilities and equipment	536,294	269,972
Royalties received	835,418	-
Service charges	45,036,751	42,661,733
	110,656,255	**101,706,499**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received - investment	2,680,850	2,352,112
Licences and permits	2,521,412	3,027,189
Other income	1,375,632	1,317,773
Other income 1	213,545	-
Rental of facilities and equipment	536,294	269,972
Service charges	45,036,751	42,661,733
	52,364,484	**49,628,779**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Royalties received	835,418	-
Property rates - penalties imposed	2,294,937	2,369,191
Property rates	10,111,519	9,681,197
Transfer revenue		
Government grants & subsidies	44,364,627	39,412,407
Fines	685,270	614,925
	58,291,771	**52,077,720**

20. Service charges

Refuse removal	2,739,515	2,677,106
Sale of electricity	42,297,236	39,984,627
	45,036,751	**42,661,733**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

21. Rental income

Premises		
Premises	515,593	241,529
Venue hire	20,701	28,443
	536,294	**269,972**
Premises	536,294	269,972
Garages and parking	-	-
Facilities and equipment	-	-

22. Other income

Other income	190,833	1,017,111
Income from N3TC	640,819	327,744
Reversal/(Increase) in landfill site provision	543,980	(27,082)
	1,375,632	**1,317,773**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

23. Property rates

Rates received

Commercial	2,387,342	2,293,247
Communal property land	199,992	189,661
Hospitality and tourism	1,027,293	959,795
Municipal	6,112,244	5,795,356
Public benefit organisation	611,841	612,441
Residential	7,459,887	7,202,667
State	200,451	101,207
Less: Income forgone (Rate Rebate)	(7,887,531)	(7,473,177)
	(227,193)	(169,303)
Property rates - penalties imposed	2,294,937	2,369,191
	12,406,456	**12,050,388**

Valuations

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 01 July 2012. The following general rates are applied:

Rebates of 30% were granted to rates on residential properties, 55% on agricultural properties, 30% on public service infrastructure and 20% on public benefit organisation. In the 2011/2012 year rebates of 30% were granted to rates on residentail, 55% agricultural properties.

Rates are levied on a monthly basis.

Rates are levied on the following properties as per the valuation roll:

Property valuations

Agricultural	1,848,116,000	1,822,916,000
Agricultural smallholding	150,100,000	103,950,000
Business and commercial	198,645,000	194,049,000
Communal property and land reform	70,820,000	70,820,000
Industrial	2,260,000	2,100,000
Municipal	10,888,000	9,284,000
Place of worship	24,850,000	23,550,000
Public benefit organisation	121,945,000	148,460,000
Public service infrastructure	23,753,000	27,023,200
Residential and Residential hospitality	908,446,700	755,903,900
Sectional title - Commercial	2,200,000	2,200,000
Sectional title - Residential	8,030,000	6,580,000
State	91,100,000	90,780,000
State owned	55,732,000	28,856,000
Tourism and hospitality	121,635,000	154,335,000
	3,638,520,700	**3,440,807,100**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

24. Government grants and subsidies included in revenue

Operating grants		
Department of trade and industry (DTI) subsidy	100,000	997,845
Equitable share	24,807,000	23,278,000
Finance management grant (FMG)	1,800,015	1,918,697
Intergrated National Electrical Program	5,000,000	-
LGSETA	-	13,074
Library	861,000	825,000
Municipal system improvement grant (MSIG)	934,000	1,142,011
Museum grant	151,000	284,000
Provincial library subsidy	881,214	-
Small town grant	-	862,577
Sports and recreation subsidy	-	266,000
	34,434,229	27,460,782
Capital grants		
Cragieburn housing project grant	-	115,291
Municipal infrastructure grant (MIG)	9,830,398	9,709,912
	9,830,398	9,709,912
	44,364,627	**39,412,407**

Equitable share
In terms of the Section 227 of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. The Equitable share grant also provides funding for the municipality to deliver free basic services to poor households and to subsidise the cost of administration and other core services for the municipality.

Museum subsidy
This subsidy has been granted to the municipality for operational upkeep of the museum in the area.

Public health subsidy
This subsidy was granted to the municipality by the Department of Public health for the operational costs of running the clinic.

Municipal infrastructure grant (MIG)
This grant is used to address backlogs in municipal infrastructure required for the provision of basic services.

Expanded public works programme (EPWP)
This subsidy is provided by the Department of Public Works to assist with the alleviation of poverty in the municipal area by providing temporary employment for the unemployed.

Small town grant
This subsidy is provided by the Department of Cooperative Governance and Traditional Affairs to perform feasibility studies with a view of developing the town by improving its economic state and attracting investment.

25. Investment revenue

Interest revenue		
Bank	503,028	420,468
Interest charged on consumer debtors	2,010,684	1,681,171
Interest received - other	167,138	250,473
	2,680,850	**2,352,112**
	-	-
	2,680,850	2,352,112

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

26. Employee related costs

Acting allowances	198,243	48,643
Basic	17,843,938	15,873,017
Bonus	1,285,051	1,034,733
Cellphone allowances	26,050	36,300
Defined contribution plans	3,480,395	3,283,280
Housing benefits and allowances	103,520	82,640
Leave pay provision charge	139,489	399,349
Long service awards	495,000	298,000
Medical aid - company contributions	1,397,084	1,192,834
Other payroll levies	9,795	8,585
Overtime payments	1,322,576	560,901
Redemption leave	237,586	247,539
SDL	218,770	183,463
Travel, motor car, accommodation, subsistence and other allowances	2,016,442	1,772,549
UIF	165,021	147,773
	28,938,960	**25,169,606**

Remuneration of Municipal Manager

Annual Remuneration	648,000	509,275
Car, travel accommodation allowance and other	293,516	174,863
	941,516	**684,138**

Remuneration of Chief Finance Officer

Annual Remuneration	412,500	291,646
Car, travel accommodation allowance and other	249,040	181,586
	661,540	**473,232**

Remuneration of Director Corporate Services

Annual Remuneration	291,229	385,393
Car, travel accommodation allowance and other	124,813	269,851
	416,042	**655,244**

Remuneration of Director Technical Services

Annual Remuneration	450,000	87,500
Car, travel accommodation allowance and other	234,271	23,042
	684,271	**110,542**

Remuneration of Director Social Services

Annual Remuneration	315,000	336,056
Car, travel accommodation allowance and other	354,775	276,991
	669,775	**613,047**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

27. Remuneration of councillors

Mayor	489,189	470,963
Councillors	542,423	868,068
Councillors' pension contribution	116,604	127,276
Councillors' allowances	368,723	436,303
	1,516,939	**1,902,610**

28. Depreciation and amortisation

Property, plant and equipment	5,486,674	4,375,658
Intangible assets	-	73,626
	5,486,674	**4,449,284**

29. Finance costs

Interest on finance leases	232,180	370,471
Interest on bank overdraft	12,345	-
Interest on non-current borrowings	-	20,356
Interest on overdue accounts	-	161,200
Provision for landfill site (unwinding)	140,401	27,082
	384,926	**579,109**

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R - (2014: R -).

30. Impairment of assets

Impairments		
Property, plant and equipment	-	29,727
Reversal of impairments		
Property, plant and equipment	(9,014,059)	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
	-	29,727
	(9,014,059)	-
Total impairment losses (recognised) reversed	**(9,014,059)**	**29,727**

Impairment losses are calculated based on the result of a physical verification conducted during which a condition assessment is performed.

31. Debt impairment

Contributions to debt impairment provision	4,432,303	1,913,531
Debts impaired	497,477	399,877
	4,929,780	**2,313,408**

32. Bulk purchases

Electricity	41,491,713	42,361,336

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

33. Contracted services

Information Technology Services	964,877	(789,514)
Fleet Services	2,853,517	2,243,327
	3,818,394	**1,453,813**

34. General expenses

Advertising	85,733	227,704
Assets expensed	6,322,325	185,048
Auditors remuneration	1,360,549	984,924
Cleaning	94,086	15,483
Computer expenses	358,834	803,994
Conferences and seminars	2,000	59,591
Consulting and professional fees	871,500	1,022,710
Consumables	35,339	118,630
Deed transfers	21,296	9,792
Electricity	237,626	680,906
Entertainment	62,793	98,942
Fuel and oil	705,067	474,492
Grant expenditure	-	2,015,234
Hire	346,359	224,473
Insurance	155,276	247,460
Lease rentals on operating lease	-	3,600
Legal expenses	94,649	114,721
Legal fees	667,971	842,355
Loss on asset disposal	-	661,403
Medical expenses	352,667	62,635
Other expenses	355,720	855,696
Pauper burials	1,200	10,995
Pensioners medical aid	339,694	1,697,033
Postage and courier	106,446	49,657
Printing and stationery	162,865	168,407
Publications	6,990	91,069
Public participation	-	60,750
Service connections	393,127	460,684
Rental general	-	140,391
Software expenses	388,482	1,300
Sundry costs	263,320	9,424
Team building workshops	1,000	-
Telephone and fax	627,659	445,716
Training	684,986	368,215
Travel - local	939	7,119
Uniforms	57,711	335,308
Valuation expenses	214,226	246,866
	15,378,435	**13,802,727**

35. Auditors' remuneration

Fees	1,360,549	984,924

36. Operating lease

The municipality had the following outstanding commitments under operating leases in the prior year:

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

36. Operating lease (continued)

Operating leases - lessee

Within one year	764,949	111,220
In the second to fifth year	2,607,060	300,280
	3,372,009	**411,500**

The operating lease payments represented rentals payable by the municipality for certain of its fleet vehicles, and clinic.

Operating leases - lessor
The municipality has low cost houses that are leased to certain staff/members. Lease rentals are based on a percentage of the lessee's income levels. These leases are cancellable at any time by either party provided that one month's notice is given. There is no fixed lease period.

37. Cash generated from operations

Surplus	15,104,182	8,165,046
Adjustments for:		
Depreciation and amortisation	5,486,674	4,449,284
Fair value adjustments	(213,545)	-
Finance costs - Finance leases	232,180	370,471
Impairment	(9,014,059)	29,727
Debt impairment	4,929,780	2,313,408
Movements in retirement benefit assets and liabilities	495,477	1,430,000
Movements in provisions	7,278	700,431
Opening balance adjustment	-	(207,390)
Bad debts written off	497,477	-
Changes in working capital:		
Inventories	59,434	9,040
Consumer debtors	(3,533,251)	(4,403,497)
Other receivables from non-exchange transactions	497,477	332,582
Prepayments	9,352	(9,352)
Payables from exchange transactions	(5,164,499)	1,453,538
VAT	892,993	4,136,524
Unspent conditional grants and receipts	3,385,373	(40,736)
Consumer deposits	23,692	(133,337)
	13,696,015	**18,595,739**

38. Commitments

Authorised capital expenditure

Approved and contracted for

• Urban Road CBD	-	15,500,000

Operating Contracts

• Contracts due within 1 Year	3,786,736	4,489,223
• Contracts due 2 to 5 years	494,109	5,026,724
	4,280,845	**9,515,947**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

39. Contingencies

Contingencies arising from pending litigation on damage to vehicle claim

Litigation is in process against the municipality on claims relating to damage to motor vehicle. Conclusion of the process is dependent on the litigation process being completed, therefore the timing of economic outflows is uncertain. An amount of R87,148 is being claimed against the municipality in the case of Maggie Mtshali vs Mpofana Municipality.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

40. Prior period errors

Prior year error	2013/14 Previously stated	2013/14 Restated	Difference
Employee benefit obligation	(10,644,000)	(10,454,000)	274,000
Provisions	(7,479,873)	(7,906,304)	(271,368)
Investment property	8,581,000	13,451,000	4,870,000
Revaluation reserve	(8,581,000)	(13,451,000)	(4,870,000)
General expenses	13,860,821	13,858,459	(2,632)
	(4,263,052)	**(4,501,845)**	**-**

The prior year figures of classes in the Statement of Financial Position and statement of financial perfomance have been re-stated to correctly classify the nature of Assets, Liabilities, net Assets, Income and expenditure of the Municipality.

The effect of the correction of Error is as follows:

Prior year error is summarised as follows	2015	2014
Correction of provision of landfill site	(271,368)	(3,448,758)
Correction of provision for employee benefit	274,000	-
Correction of workman's compensation	-	912,835
Correction of SALGA membership fees	-	956,605
Correction of prior year Investment property	4,870,000	-
Correction of Revalauton reserved	(4,870,000)	-
Correction of prior year intangibles	-	3,696
	2,632	**(1,575,622)**

Provision for landfill site restated	2015	2014
Provision of landfill site as previously stated	(5,809,080)	(9,230,756)
Correction of provision per the valuation report	(271,368)	3,448,758
	(6,080,448)	**(5,781,998)**

EPWP grant restated	2015	2014
EPWP grant unspent as previously stated	-	(372,763)
Correction of prior year grant expenditure recognised in current year	-	211,050
	-	**(161,713)**

Workmans compensation restated	2015	2014
Correction of workman's compensation relating to prior years	-	912,835

SALGA membership fees restated	2015	2014
Correction of SALGA membership fees relating to prior years	-	956,605

Land as restated	2015	2014
Land as previously stated	-	3,322,286
Land removed from assets	-	(3,696)
	-	**3,318,590**

Surplus for the year restated	2015	2014
Surplus for the year as previously stated	8,165,046	7,082,498
Prior period error	(2,362)	1,575,622
Restated surplus	8,162,414	8,658,120

Statement of changes in net assets	2015	2014
Revaluation Reserve	4,870,000	-

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

40. Prior period errors (continued)

41. Going concern

We draw attention to the fact that the municipality has unspent conditional grants liabilities that are not fully cash backed.

The unspent conditional grants liability amounts to R19,129,810 and the municipality has investments to the value of R9,487,572.

The annual financial statements have however been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of service delivery.

42. Events after the reporting date

At the time of completion of the annual financial statements, there were no events after the reporting date affecting these Annual Financial Statements.

43. Unauthorised expenditure

Opening balance	7,555,440	5,116,355
Unauthorised expenditure for current period	-	2,439,085
	7,555,440	**7,555,440**

At the time of completion of the Annual Financial Statements, there was no unauthorised expenditure for the year up to June 2015.

44. Fruitless and wasteful expenditure

Fruitless and wastefull expenditure for current year	103,280	86,563

Interest and penalty charges were levied for the late payment of Eskom invoices for electricity bulk purchases and late payment of Telkom invoices.

45. Irregular expenditure

Opening balance	14,193,817	8,007,395
Add: Irregular Expenditure - current year	6,487,534	3,917,270
Add: Irregular expenditure from deviations	957,984	2,269,152
	21,639,335	**14,193,817**

At the time of completion of the annual financial statements no irregular expenditure had been incurred.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

46. Deviation from supply chain management regulations

In terms of section 36(2) of the Municipal Supply Chain Management Regulation approved by council, any deviation from the Supply Chain Management Policy needs to be approved/ Condoned by the Municipal manager, noted by council where the formal procurement processes could not be followed must be noted in the Annual Financial Statements

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management policy ratified by the Municipal Manager and reported to council.

• AMJ Electrical Services	R 8,199
• ARB Electrical Wholesalers	R 16,112
• Arrow Print	R 12,815
• Business Success Solutions	R 7,979
• D A Metering	R 8,147
• Electribox	R 12,825
• Electric World	R 14,863
• Electronic Assemblies	R 6,133
• Formax	R 9,508
• Forms Media Independent	R 6,657
• Freeway Motors	R 7,016
• Fuduka	R 18,800
• Government Printing works	R 41,930
• Greenfields Foton	R 8,574
• Illanga Newspaper	R 3,322
• Jark Engineering	R 2,508
• Jus Loos	R 14,250
• Keyed Alike Locks	R 5,127
• Mamree Hiring Services	R 7,800
• Mooi District Taxi Association	R 36,700
• Mooisans Doors and Windows	R107,719
• NEO Solutions	R 9,633
• NMR Hardware	R337,405
• Northmech (Mooimech)	R 15,649
• Payday Software System	R 23,253
• PMB Forestry	R 3,271
• R J Hayes	R 6,270
• R Ranjith Building Contractors	R 2,850
• Ridgeback Trading	R 37,760
SA Redcross Society	R 16,770
• SupplyCo	R 6,638
• The Natal Witness	R 30,029
• Trans Atlantic Equipment	R 6,612
• Universal Print Group	R 14,394
• Variprint	R 10,896
• Voltex	R 49,058

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47. Assets subject to restrictions

Assets that have been recognised, but which are subject to restrictions, the amount of restriction are as follows:

48. Risk management

Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the municipality. The utilisation of credit limits is regularly monitored.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

48. Risk management (continued)

Financial assets exposed to credit risk at year end are noted under the respective financial assets - investments, trade and other receivables and the cash and cash equivalents notes.

These balances represent the maximum exposure to credit risk.

Cash and cash equivalents	2,569,529	2,344,512
Financial assets - investments	9,487,572	11,848,205
Consumer debtors	26,846,876	23,313,625
Maximum credit exposure	**38,903,977**	**37,506,342**

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality financial liabilities into amounts due within the 12 months after:

Trade payables	5,362,939	8,644,431
Finance lease obligation	410,803	512,087
Short term portion of long term liabilities	-	70,202
	5,773,742	**9,226,720**

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

Financial Assets - Investments

Financial Lease Obligation

Annuity Loan
- Call deposits
- Notice deposits
- Long-term debtors

This note presents the municipality's exposure to this risk. Quantitative disclosures of the amounts are disclosed throughout the financial statements.

Effect on profit before tax

49. Electricity losses

Electricity units (kWh) lost in distribution		
Electricity units (kWh) purchased from Eskom	62,234,443	58,050,911
Electricity units (kWh) sold from Eskom	(46,976,912)	(47,690,010)
	15,257,531	**10,360,901**

Electricity losses for the financial year is 25% (2014: 18%). The Rand value of the electricity losses for the current financial year is R12 299 097 (2014: R6,874,000).

These losses are attributable to electricity line losses within the electricity network infrastructure.

Notes to the Annual Financial Statements

50. Councillor arrears on consumer accounts

No current councillor has arrears on his/her services account.